THE POLITICAL ECONOMY OF POLICY MAKING IN AFRICA

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ABSTRACT

This paper offers a new theory of the political economy of reform, based on an analysis of transition in economic and political cultural values, attitudes and practices. It argues that a modern version of administered trade emerged in twentieth century Africa, as well as in Russia, China and other previously hierarchical and only partially monetized societies. Accelerating monetization of economies is forcing a paradigm shift, which imposes a new way of thinking about economies. In the meantime, African leaders still operate in cultures in which most people view economic management quite differently from market economists.

The goals of market-oriented economic management might be summarized in four points: (1) make GDP grow; (2) keep inflation low; (3) maintain a favorable current account balance; and (4) keep unemployment low.

In contrast, African economic management aims to: (1) achieve growth in the loyal community of followers, (2) ensure that all members work and produce sufficient food, (3) produce a surplus that is funneled to the top of the hierarchy through gifts and taxes/tribute (labor, minerals and cash crops), (4) trade the communal surplus for luxuries, (5) exchange gifts and hospitality among peers, and (6) offer generous rewards and hospitality to followers. The disparity in economic goals helps to explain why certain reforms have been widely resisted, notably those that involve loss of jobs, privatization of parastatals, or liberalization of food exports.

Decision-making processes in African custom also follow a different order than that taken by International Financial Institutions in negotiating structural adjustment. To the IFI's fell the unenviable task of jogging many African governments out of autarchic economic policies and a downward spiral of deficit spending, debt escalation and economic stagnation. Creating ex post facto "ownership" of imposed policies, however, has proved very difficult. For decision-making to be considered legitimate in Africa, debate is supposed to precede the announcement of a decision. Acquiescence, and at least superficial social harmony is expected to follow it.

The USAID EAGER/Trade project attempts a new approach that brings African policy-makers, African economists and American economists together to research policy options before policies are announced. Research projects are demand-driven, with policy-makers rather than researchers in the driver's seat. Policy-makers capable of implementing the options to be researched sit on national Advisory Committee's supervising the research, and organizing national round-tables on the topic during the research process. This applied approach is designed to simulate the decision-making steps considered legitimate by African custom, and to allow policy to emerge as the result of a wider consensus. This should facilitate the needed paradigm shift, and resolve many of the problems of implementation.

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I. INTRODUCTION

Although trade policy reform has been a cornerstone of structural adjustment programs in Africa in the last decade, these reforms have been inadequate to reverse the stagnation of trade for the region. Reasons that reforms have failed to create a climate for trade growth include the following:

- A few important trade policy reforms were never introduced to eliminate the protectionist bias of the past;
- Policy reforms were introduced, but not effectively implemented;
- The reform policies were poorly designed or poorly sequenced;
- Policy reforms were implemented, but were insufficient to obtain the desired economic effects.

A recent paper by Jeffrey Metzel with Lucie Phillips for the USAID EAGER/Trade project, entitled "Bringing Down Barriers to Trade: The Experience of Trade Policy Reform," summarizes the key elements of trade policy reform and surveys the economic literature on reforms announced and/or implemented thus far in African countries.(1998) In preparing that paper, it became clear that frustration is developing on both sides of a wide gap between market-oriented economists and African policy-makers. The present paper is a reflection on how that gap came to be, and what steps may be needed to overcome it.

The technical economic diagnoses in the Metzel and Phillips paper focus on every step in the process of policy reform except the first: the process of arriving at a policy decision. The present paper offers a new theory of the political economy of reform, based on an analysis of transition in economic and political cultural values, attitudes and practices. It suggests that resistance to reform comes not only from reluctant leaders, but also from the expectations of their followers about what constitutes legitimate economic management. The implication is that both leaders and followers are involved in the paradigm shift that is occurring. Both need to understand better how open, fast moving economies work and are managed. The other side of the coin is that market-oriented economists will work more effectively on the reform process if they understand the alternative economic cultural values and management practices that exist.

II. REVIEW OF THE LITERATURE

The two main groups of actors in the trade policy reform process in Sub-Saharan Africa have been the International Financial Institutions (IFIs) and the African governments, generally represented by their ministries of finance and their central banks. Nearly all of the published analyses of why the process is producing disappointing results comes from an IFI perspective, or, more widely, from a market-oriented economic viewpoint. The writers are not necessarily ethnic Europeans; they may be of any ethnic background in the world—the viewpoint is one of education and analytical framework, now dubbed the Washington consensus. Finding lack of understanding of their point of view in Africa, they tend to assume that African economic management is a blank slate. It is argued here that this is not the case. Principles of economic management that are widely shared in hierarchically organized, agrarian societies influence African economic managers.

One finds frustrations similar to those in the African policy debate among policy-reformers, investors and trade advisors working in the former Soviet Union, but there the resistance is ascribed to Communists, corrupt officials or mobsters. Many factors similar to African economic culture appear to be active, but it is beyond the scope of this paper to analyze the economic culture of Eastern and Central Europe and much of Asia. It is important to note mainly that the practices described here derive from underlying social structures that are widespread in the world, not unique to Africa.

Several schools of thought have emerged to explain slow progress in implementing trade policy reform in Africa. Economists tend to focus on relationships and timing between economic policies. They point out that countries have to get fiscal and monetary policies right in order for trade to be liberalized without creating current account imbalances. Political economists, on the other hand, have tended to focus on problems of economic governance: (1) lack of human resources, beginning with the capacity for economic analysis and management, (2) resistance by those who lose personally in weak, arbitrary and prebendalist (read corrupt) institutions and states (Foroutan 1993; Gulhati 1986; Wolgin 1994; Van de Walle 1994) or, in more severe cases, (3) state failure. (Ikhide et al.1995; Zartman 1995). Both groups recognize that lack of infrastructure hampers a supply response even when the policies seem appropriate. Past government budgets in nearly every country have gone into unproductive employment in the civil service rather than the transport, communications and power infrastructure needed to make their private sectors competitive.

The recent literature on structural adjustment, and the need for Africa to do better, reads very much like the modernist school of political and economic theory that dominated the academic writing on Africa in the 1960s. It is linear. It assumes that progress from the status of underdevelopment to development is the only worthwhile goal. The Cold War is over and market economics won. This view is almost as widely held among African intellectuals as among western writers, but Africans accept it with anguish and conflict, asking why the failure? Are we really among the poorest countries in the world? What do we gain and what do we risk losing in the reform process?

A few students of political culture and management culture offer useful insights. Mamadou Dia, leader of the African governance program at the World Bank, has produced some of the keenest analyses of the reform process. He traces blockage in the reform process to traditional patrimonial patterns of rule, which he finds recurring in African public administration. He is no apologist for current institutional patterns. On the contrary, he dissects them in detail and recommends fundamental remedies. (Dia 1993, 1996) Dia, however, concentrates on political culture, with little direct attention to economic management.

Claude Ake contributes to this school of thought a broader socio-economic proposal for "Sustaining development on the indigenous."(Ake, in World Bank, 1990: 7-19) He is not referring to "traditional" African models, but rather a mutable, contemporary, indigenous culture that blends elements of values and institutions from many sources. In Africa, he argues, "The sense of community remains strong. So does loyalty to primary groups...Africans seem more interested in communal rights than individual rights." He proposes that policy reform will have to take account of values and processes rooted in the logic of the household economy, based on building people into communities rather than producing a surplus of tradeable goods. Ake argues that the logic of African household economies is reproduction rather than production, and its goal food self-sufficiency rather than the production of a surplus.

Ironically, he goes on to claim that modern African states might have had better success in averting famine if they had followed a policy of food self-sufficiency. One can argue, instead, that they **did** pursue food self-sufficiency and autarchic trade policies generally, and that their closed economies crippled their ability to use world markets to compensate for natural and conflict-generated famines.

Ake claims that one cannot isolate "simple premodern or traditional social institutions available to contrast with modern forms." (Ake, WB, 1990: 9) Dia, on the other hand, calls for a paradigm shift, and maintains that there are sufficient commonalities to speak of an African approach to management.

Geert Hofstede (1984, 1991) has produced the most systematic studies of how culture influences management in the modern workplace. He opens with the admonition: “The survival of mankind will depend to a large extent on the ability of people who think differently to act together.”(1984: 8) He twice surveyed the nature of corporate management thinking and social action, particularly employer/employee relations in IBM companies[1] and branches in fifty countries, first around 1968 and again around 1972. Among many possible variables, he found that country cultures differed in a statistically significant degree on four main indices:

- power/distance, (preference for concentrated authority, hierarchy)
- uncertainty avoidance, (preference for stable employment, fixed rules)
- individualism vs. collectivism, and (importance of individual freedom vs. group solidarity)
- masculinity. (assertiveness, sexual identity)

Some combinations of indices also correlated strongly, namely power/distance and individualism. the corporate cultures found there on their degree of individualism vs. collectivism and the degree of power/distance preferred by employees. East Africa, and to an even greater degree West Africa, ranked high on collectivist values and preferred a large power/distance gap between employer and employees. These two offices were part of a fairly large group of developing countries that ranked high on both indices, including Asian tigers Singapore, Thailand, Taiwan, Korea and Hong Kong, as well as many Latin American countries. Portugal was the only European country in the collectivist/hierarchical group. The Soviet Union and China were not included in the study, but their historical cultural patterns and response to economic liberalization suggest that they fall clearly into the same group. At the other end of the spectrum were the US, UK, Australia, Canada, New Zealand and the Netherlands, ranking strongly individualist and preferring a small power/distance gap.

Dia (1996: 54) finds this same emphasis on power/distance and collectivism in Africa in Jacques Binet's research on economic psychology in 56 African ethnic groups. Binet found Africans made "powerful connections between objects, human beings, and the supernatural, with the dominant guiding principle being the quest for equilibrium with both the supernatural and other human beings...Self-

[1]The company is given a pseudonym in the text, HERMES.

reliance and self-interest tend to take a back seat to group loyalty and the need to participate and belong."

Robert Bates' analyses of African political economy showed how economic goals that were widely shared and generally considered reasonable by development economists led African policy-makers into market manipulations that were devastating for agriculture. (Bates 1981) He pointed out that countries throughout Africa had followed similar policies. In hopes of closing the development gap with the industrialized countries and improving their terms of trade with the outside world, they transferred resources domestically from agriculture to protected industrial sectors. The differentials between producer prices paid African farmers by State Marketing Boards and world market prices amounted to a heavy tax, far from offset by the subsidy that farmers were offered on inputs for many years. High import tariffs, either to protect local industries or to generate revenue for the state, resulted in high consumer prices that constituted another heavy economic burden on the rural population. A much later study comparing effective taxation on agriculture in eighteen countries worldwide showed that in the 1990s, the three African countries (Ghana, Cote d'Ivoire and Zambia) still taxed their farmers 70 percent more than the average for developing countries. (Schiff and Valdes 1992) Bates' later work (1989) neatly established the link between local economic interests and national political alliances in Kenya, from the period of the Mau Mau through the 1980s.

The biting criticism of the dependency theorists, and even such careful analysis as Bates', fail to explain adequately why African populations tolerate such treatment. Listening to and reading popular discussions of economic policy issues suggests that most Africans recognize and criticize abuses–but they may draw the line differently from market economists. Leaders that violate World Bank guidelines often are acting in ways sanctioned by popular expectations and widely shared goals. Abuse of such policies for individual gain is a separate issue, and is not generally accepted. It may be tolerated only if the observers perceive themselves as powerless to stop it. What then is culturally sanctioned and what is not, and why? These are the questions this paper seeks to answer.

III. WHAT IS ECONOMIC CULTURE, OR POLITICAL ECONOMIC CULTURE?

The many aspects of culture explored recently by social scientists have not, to my knowledge, produced a definition of economic culture. Hofstede approaches management culture through the concept of mental programs, that exist at the universal, collective and individual levels. He focuses on values, learned in early childhood, as a means of regulating behavior through approval and disapproval. Norms, he notes, are collective values, that can exist in each collectivity with which an individual identifies.

Health professionals working in cross-cultural situations have added knowledge, attitudes and practices to the aspects of culture that one needs to understand to work effectively. They have produced a series of "KAP" studies for preventive health and family planning in countries throughout the developing world.

Political culture has also had considerable attention. John Paden's classic study of Kano, in northern Nigeria, defined the concept of political culture with the following argument:

> In the comparative study of government, attempts are often made to identify the underlying values, symbols, and premises of society that influence political behavior. Such values may include the entire cultural experience of a society. Yet certain cultural dimensions are particularly relevant to the processes of political life: for example, the nature of authority and the way in which decisions are made; the criteria used to distinguish communities; the manner in which conflicts or disputes are resolved or managed; and orientations toward history or toward innovation. Such dimensions may be regarded as part of the political culture of a society, as distinct from the general culture. (1973: 1)

We propose here that one can similarly isolate certain structures and processes in a society that regulate the flow of goods and services. Each role in a family, in a village, in a larger society carries with it specific economic obligations and privileges. Rules, formal and informal, govern the exchange of goods and services, their relative valuation and the ways in which individuals in a society can save or store value for future use. These patterns are particularly relevant for economic analysis, and can be viewed as an economic culture. These differ from one society to another. Modern market-oriented economies have a many cultural commonalities that together constitute a view of how economies operate.

In many countries undergoing structural adjustment that mental model is quite different. Firstly, the economy is embedded in the polity. The management of people is inextricably linked with the management of goods and services. The anthropological literature of traditional agrarian societies makes it clear that the goal of management was generally accumulating people as much as accumulating goods or money. An analogy in the political culture field comes from Chang's assertion that the principle of Chinese administration was "Government of Man" as opposed to the western concept of "Government by Law." The author has often used Grandin's "Wealth Ranking" system (1988) with African villagers and found it highly instructive in this regard. Informants are asked to rank "wealthy" vs. "poor" families in their village, and left to supply their own definitions of the terms. Acquired social status, the respect and loyalty of many people, is often among the criteria they cite. Long debates can occur over the classification of a high ranking household head who has few material goods, or a selfish one with many material goods. Agrarian societies predominate in Africa, and their administrative modes have been adopted by nearly all post-colonial states.

IV. THE POLITICO-ECONOMIC CULTURAL DIVIDE

What most IFI commentators view as "lack of ownership" of policy reforms reflects exactly this cultural divide. In this vein, the Bank's and Fund's insistence on fiscal balance at the expense of jobs is viewed by many African citizens as cold and inhumane. The outcry in Africa whenever even a few jobs are lost, public sector or private sector, astounds American observers, for whom layoffs in the thousands have become almost routine. The other two areas where there has been considerable resistance to reform in Africa are in food trade and privatization of parastatals. It is argued here that these differences in perception are related to economic management patterns that persist culturally today and have roots in precolonial and colonial economic institutions.

One could argue that a paradigm that is becoming outmoded does not need to be understood; it is irrelevant and can simply be abandoned. This paper disagrees, and argues that African viewpoints and cultural patterns need more attention. It is easier to change if one knows from whence he comes as well as where he is going. This conviction is strengthened by the central conclusion of the studies of the Pacific rim success stories: that the economic policies and political systems underlying them varied substantially. What they shared was their ability to maintain a stable macroeconomic framework while mobilizing human and physical resources toward productive investment in a manner consistent with their historic institutions and indigenous cultures. (World Bank, 1993: Overview) Their policies combined neoclassical reliance on market mechanisms with state-led interventions in industrial policy and financial markets more typical of statist approaches. All recruited, “a competent and relatively honest technocratic cadre,” and insulated it from daily political intervention. They also established business-friendly legal, judicial and regulatory frameworks. Moreover, all created formal institutions for encouraging dialogue between mutually suspicious public and private sectors, generally referred to as Deliberation Councils.

Studies of the organization of firms have also stressed the different organizing principles common in Asia. Japan’s model has attracted considerable attention, with its stress on family-model firms, offering life-long employment and expecting family-style commitment to the firm. The concommitant of this solidarity proved to be that it was limited to a relatively few permanent employees. To avoid overcommitment in a fluctuating business climate, such close-knit firms outsourced many supplies and services.

A growing literature on the organization of firms in Africa stresses their reliance on family, and family values. Hofstede similarly proposed, for agrarian South Asia, the “family” as the “implicit model for an Indian organization.” (1984: 216) In Africa, however, it is often viewed as a limitation that prevents firms from expanding. Integrating large scale production through outsourcing has received little attention. Nearly all of the small business development programs are staffed by western advisors drawing on western models. An attempt is made here to show that the quite different politico-economic paradigms of the past with distinct approaches to trade policy are still operative in Africa, as in many other parts of the world. Remnants of mercantilist interventionism are still found in Western economies, particularly in the agricultural sectors, but one pole predominates in the West and another in Africa. Most African societies, like most Asian societies, are hierarchical and collectivist oriented. Western societies, particularly those with Anglo-Saxon roots are much more egalitarian and individualistic. Hierarchical, group oriented societies are the modern heirs of empires in which administered trade, gift exchange and special purpose moneys played a greater role.

This return to economic history and cultural analysis would be a scholastic exercise if the divide over the reform process were not widening. As it widens, neoclassical economists tend to become cynical and African leaders embittered. Analysts who take a more pragmatic approach to the policy reform process look for interest groups that leaders can mobilize in support of reform. The problem is that they look for interest groups defined in a western way: private entrepreneurs, farmers, labor, etc. What African leaders are generally trying to mobilize are really patron/client networks, each of which tends to be represented in a Chamber of Commerce, political party, farmers' cooperative or labor union, invisible to outsiders, but well known among locals. An element of blame creeps into the argument on both sides. Illustrating these underlying structures may help both sides to understand the divide more clearly. It may clarify the route of reconciliation Dia urges African policy-makers and their IFI lender/mentors to achieve. It is a route to reform and modern economic management which may allow Africans to maintain the best of their cultural values, rather than ending up with the worst of both worlds.

In this analysis, the aspects of culture most relevant to political economy include:

- widely shared strategic goals of economic management,
- the socio-economic structure of basic units of production,
- the organization of production and exchange,
- the process of *decision-making* which is considered authentic by the group,
- the process of legitimization of decisions.

V. ADMINISTERED TRADE

One of the manifestations of African political-economic culture, past and present, is administered trade. This is an approach to trade whose workings were initially described by Karl Polanyi *et al.* in a seminal work of economic history, *Trade and Market in the Early Empires*.(1955) They show that two types of gift exchange characterized the flow of goods in many premodern societies. Exchange among peers, egalitarian exchange, was based on the principle of reciprocity. Hierarchical societies, on the other hand, generally circulated goods up and down the hierarchy, which resulted in a pattern of flow of goods and services based on redistribution. Hierarchical kingdoms and empires generally developed a pattern of administered trade controlled by the monarchy. Relations with the outside world were deliberately limited to segregated ports of trade. The economy, in this case, was an instituted process, initiated and conducted largely by the monarchy. The practice of trade in such societies was essentially risk-free, as traders were usually trading on the king's account, or at least with his license. Prices were fixed in units of account, and most of the negotiation of a sale involved selecting the composition of the package of goods to be received by each side and the generosity of the measures. If supply was low, the measures were simply a bit short. If supply was high, they were ample. The quoted unit price stayed the same. Money existed, but different **moneys** served special purposes, as a medium of payment, a unit of account, or a store of value.

Polanyi *et al.* included the West African kingdom of Dahomey, which existed in the 18th and 19th centuries in what is today the Republic of Benin, as an example of administered trade, along with the Maya and Aztec, ancient Babylonia and Mesopotamia, and colonial India. They might equally have included Ashanti (Ghana), ancient Ghana, Mali, Songhai, Tekrur and Jolof (Senegal, Mali and Niger), early modern Benin, Oyo and the Hausa states (Nigeria) Buganda and the other Great Lakes kingdoms (Uganda, Rwanda and Burundi) as well as the Empire of the Mwene Mutapa in Zimbabwe and the Zulu kingdom and its offshoots (Tanzania to South Africa). Moreover, they might have included the imperial societies of central Europe and Asia, virtually all of those who today rank strongly on Hofstede's collectivist and power/distance indices.

In African precolonial kingdoms, trade was a royal monopoly or chartered monopsony, and closely linked to diplomacy. Diplomacy was undertaken deliberately to open an area up to trade, as when the Emperor of ancient Mali described the great cost he had expended in gifts to neighboring sovereigns, in order to "open a road" to the gold bearing regions of the south. Kings employed professional traders to conduct their long-distance trade. Many African kings allowed merchants to trade on their own account, but it was only permitted with a royal mandate (or license), and a share of the profits went to the king.

The mercantilist era in early modern Europe marked the transition to a fully monetized economy in Europe and the emergence of an autonomous bourgeoisie. The European chartered companies of the mercantile era were contractually more autonomous than the licensed traders of the old empires, but mercantile trade policy still was an instituted process carefully controlled by royal agents.

Africa developed relatively autonomous merchant classes, described by Phillip Curtin as trade diasporas, (Curtin 1975) under the influence of the trans-Saharan, Atlantic and Indian Ocean slave trades during the same period. Special purpose moneys gradually gave way to multi-purpose moneys. The process of monetization was not completed, however, until the colonial conquest at the end of the nineteenth century and beginning of the twentieth.

Economic warfare, the first form of which was the imposition of European currencies, was at least as important in consolidating colonial rule as military conquest. Walter Ofonagoro (1972) showed how the imposition of European currency was used to strengthen the British position in Nigeria at the turn of the century. Similarly elsewhere, the head tax or hut tax imposed on every family, unlike the tribute of the past, was payable only in European currency, forcing every family either to cultivate cash crops or to send at least one member of the family to work for cash wages.

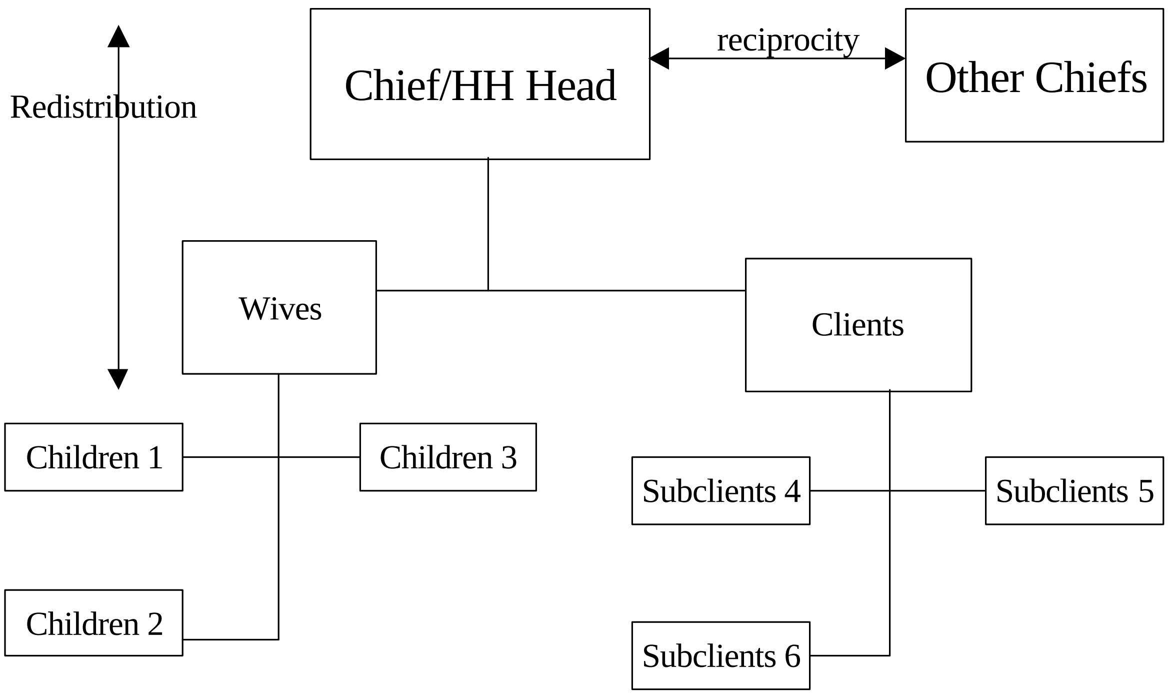
The economic and political institutions that colonial governments created were a curious hybrid of European and African trading practice. While laws at home were crafted to ensure fair trade and fair labor practices, and to limit the sectors in which monopolies would be allowed to develop, colonial policies went in exactly the opposite direction. Forced labor and impressed military service were common in the early colonial period. Later, penal labor was "rented" to farmers in settler colonies suffering from labor shortages. Monopolistic chartered corporations or state marketing boards were established for cash crops and staple commodities in most African colonies. The assumption that Whites were entitled to oligopolistic economic privileges went unquestioned throughout the colonial era, while notions of egalitarianism spread elsewhere.

In the period following World War II, China, Russia and a host of African and Asian states practiced, in the name of Marxist ideology, a form of administered trade that had no roots in Marx's writings. Governments used it, in fact, to alienate workers from their means of production, exactly as Marx had argued capitalism did. It is argued here that African post-colonial states, and even colonial states created economic institutions that were based on historic patterns and tolerated because of their cultural underpinnings. Neither Marxist nor capitalist ideology legitimized them. The statist, centrally planned economies they created represented an attempt to use modern skills, technology and ideology to recreate well-known patterns of economic administration based on administered trade. The state corporations and parastatal monopolies instituted throughout what became known as the socialist world resulted not from ideological imitation, but from common underlying cultural attitudes toward political-economic management.

Contrasting the underlying structure in Figure 1 with fully monetized market-oriented economies helps one understand how goods and services circulated differently. Precolonial African societies generally fell into one of four types: (1) hierarchical kingdoms and empires; (2) "stateless" agrarian societies organized into age-grades, and often united by sacred secret societies or oracle-priesthoods; (3) relatively egalitarian kin-based herder communities; and (4) small, and also egalitarian, bands of hunter-gatherers, whose remnants include the Kung of the Kalahari, the Twa and pygmies of central Africa. Stateless agrarian societies tended to have only three or four layers of hierarchy: household, clan/ward, and village, sometimes also sub-region. For all higher matters, the heads of networks met as peers to negotiate solutions. Kingdoms and empires, on the other hand, had many layers of hierarchy, including conquered tributary kingdoms, a territorial nobility, and bureaucracies in which some appointed offices were held by royals, others by nobles, and still others by crown slaves.

Wherever complex multi-ethnic societies emerged, the hierarchical and communal principles prevailed, in the precolonial as well as the colonial periods. Thus the Fulani clerics who conquered the Hausa in the early nineteenth century adapted the structures of the Hausa kingdoms rather than the egalitarian ethos of their own pastoral forebearers. Similarly the Tutsi infiltrators among Hutu peasants in Rwanda and Burundi. European colonizers imposed chiefs on stateless societies for expediency sake, despite local objections to the concept. This same process of adapting the most complex model known to the majority of the population may explain how African post-colonial one-party states and autarchic, administered economies came to characterize all of Africa. There are substantial underlying cultural differences, but the least common denominator in modern African states tends to be remarkably similar. Pastoral cultures, which tend to be more egalitarian, are strong in Somalia, Djibouti, Lybia, Chad, Mauritania, Algeria, and to a lesser extent some other countries. It would be interesting to conduct Hofstede's survey and test for significant differences between these countries and the agrarian dominated group.

Figure 1:
Flow of Goods and Services
Administered Economy



There was, and still is, in Africa, a strong sense of community, defined by both kinship and loyalty. The world was divided, one learned from early childhood, into “we” and “they.” Loyalty to the community was taught as a primary value. The group offered protection and security in times of need. Outsiders, other communities, were always potential enemies, and at best temporary allies. Alliances were declared and renewed with elaborate ceremony, designed to establish symbolic and practical foundations for inter-group relations.

Figure 1 diagrams the flow of goods and services. Within any one hierarchical group they flowed up and down thus ensuring redistribution of surpluses and trade goods. Family members and clients provided goods and services for their lords according to their resources and status. The transmission occurred not through markets, but through gift-giving occasions, in the form of harvest share, tribute and booty. Courtesy calls were made at regular intervals, and on each occasion involved the exchange of gifts and favors. At the harvest farmers brought the lord’s share to him, with a ceremony that reinforced his expressions and loyalty and expectations of protection of his interests. The overlord, in turn, was expected to help the client with protection, access to positions or persons of importance, to wives, to land, to slaves, to horses, to trade goods and to hospitality.

Horizontal exchange among peers took place according to the norms of reciprocity. In stateless societies, such as the Tiv of Nigeria, described by Paul and Laura Bohannan (1954 [Laura Bohannan, under the pseudonym Bowen]), households redistributed food surpluses such as eggs, meat, beer, etc. by calling on their neighbors or clansmen with gifts. The neighbor would return the visit, within the space of a few months, bearing a gift of exactly equivalent value, but unlike nature, such as fruits found in their area or a different type of meat.

Information in hierarchical societies, like trade goods, was supposed to travel mainly up and down the hierarchy, rarely outside it, except under royal control. One sees similar patterns of communications today in African bureaucracies and political networks, where people hesitate venture an opinion or to share information without consulting their superiors.

The pace of traditional agrarian economies was slow. Special purpose moneys were often cumbersome. Negotiations were deliberately prolonged to reinforce the social contact and clarify the respective status of bargainers. Multipurpose monies, on the other hand, have accelerated the flows of goods and services, reducing transaction costs and times. Today foreign investors, often experience frustration over the deliberately slow pace of negotiations. Where an African might meet the situation with flattering diplomatic style and a mobilization of his network of contacts, the foreigner often suspects extortionist tactics. Whether or not financial extortion was the intent of the official, the impatient foreigner frequently offers a bribe to accelerate the process.

The image that most market economists have of the workings of supply, demand and markets in a market economy is fundamentally different from the picture most Africans have, consciously or unconsciously, of how economies function.

In Africa the aim of the head of any group in this hierarchy was to increase the size of his group, while ensuring the physical well-being of all and harmony among them, both political and spiritual. The bond between client and patron was for life, and even beyond. It was inherited from father to son, continuing the harmony established by both sets of ancestors. Patrons could not forsake their clients anymore than the latter could desert them.

Goods and services flowed to the top to reflect loyalty. They were for the king's use, but as most commodities were perishable, his ability to accumulate surpluses was limited. He generally used the surplus food to support his army and bureaucracy, and to entertain his many guests. Among the services clients were expected to provide was help with hospitality. Guests could be sent to be lodged with them, and client women could be mobilized to help cook major feasts. Thus food and goods were redistributed back down the hierarchy. Surplus local tradeables, on the other hand, the chief sent as gifts to neighboring monarchs, in exchange for gifts of a like value from their kingdoms. This exchange took place on the basis of reciprocity, with a careful calculation of what is owed on each side camouflaged in an elaborate courtly etiquette of gift-giving. Without the protocol, the exchange would have seemed crass, even unacceptable to African rulers. The king's treasure and hospitality, the proceeds of tribute, trade and booty, were shared out to followers and allies in doses designed to reinforce loyalty.

The colonial era intervened, bringing a new set of institutions that are often blamed for today's problems. Unless one studies the history carefully, one might assume that these were institutions of liberal democracy and open market economies. Not so. They were much closer to European mercantilism, and to African patterns of rule by divine right and administered trade than to modern economic institutions. Colonial governments created legal monopolies over land, minerals, currency, crops and economic sectors of interest to the government, at a time when such economic patterns would have been unacceptable at home in the metropole. The fiscal and monetary policies of that era were mercantilistic, tying each colonial economy to the mother country and establishing strong barriers against trade with neighboring colonies belonging to other metropoles. Loyalty to the primary group among European colonizers, moreover, was as evident to Africans in colonial patterns of segregation, ethnic exclusion from land or occupational rights and commercial preferences as in precolonial kingdoms. The difference was that the economic, political and religious philosophy espoused by colonizers contained seeds of liberalism. It was increasingly at odds with the colonial system.

Bates' pioneering study of politics and economics in Kenya linked economic institutional development during the colonial era to politics, economics and social structure. He showed how the institutions of colonial and post-colonial derived from the political interests of the participants.(Bates 1989) This paper argues that the only factor Bates missed was the importance of politico-economic cultural patterns. Bates considered Kenya fundamentally different from post-colonial states which put greater emphasis on redistribution, such as Tanzania and Mozambique. His analysis therefore failed to account for the fact that nearly all African countries instituted one-party states, government monopolies on land and major commodities, and state or parastatal corporations responsible for the most dynamic areas of trade. They also tried to monopolize labor, by enlisting in their clientele network as many people as possible, and, at a minimum, representatives of every significant national group, through employment in military or civil service. Most even created the postcolonial equivalent of ports of trade, through rules requiring urban travelers to have passes, or, in the French countries "ordres de mission," authorized by the Interior Ministry, for travel outside the main cities and resort areas.

Colonial rule was shorter and cultural penetration shallower in Africa than is usually assumed. The major change it brought, besides the imposition of a European superstructure on the underlying social institutions, was the accelerated monetization of African economies. The era of conquest and pacification was concentrated in the period from 1881 through the end of World War I. Except in southern Africa and Zaire where a plantation economy was developed in the 17th through 19th centuries, colonial institution-building really only got underway in the period between the two world wars. The colonial trading companies hitherto confined to isolated ports of trade, penetrated the interior with networks of agents in the early twentieth century. In non-settler colonies the towns, roads, marketing boards and industrial companies of the colonial era were mostly established in the 1950s, in the brief interlude between the recovery from World War II and Independence.

It was this same post-war era that saw the extension of political party membership from a small western-educated urban elite to the unschooled urban and rural populations, still much more rooted in traditional economic and political culture. The first mass political parties were assembled like precolonial armies. Congeries of patrons and clientele joined as groups and voted as blocs, following their leader.

Monetization of the economy during the colonial and post-colonial period changed the dynamics of redistributive systems. Surpluses converted to cash money could and did grow larger, large enough to be sent into Swiss bank accounts. Benefits increasingly failed to trickle down as expected. Electoral politics similarly changed the links between patrons and clients. Politicians, as Bates shows in great detail, were elected by mobilizing the economic interests of their clients. Once in office, however, their distinct economic interests as members of a new political-economic elite came to the fore.

In economic institutions of post-colonial Africa, many underlying attitudes and customs have persisted. Africa today is caught between two economic paradigms. Today employees attach themselves to employers much as clients to patrons. They refer to their superiors as master, patron or boss rather than by name. They expect help with all sorts of personal problems. And they expect the employment bond to be for life. They still offer gifts and expect to receive them, although the protocol has deteriorated, particularly between patrons and clients of different ethnic groups.

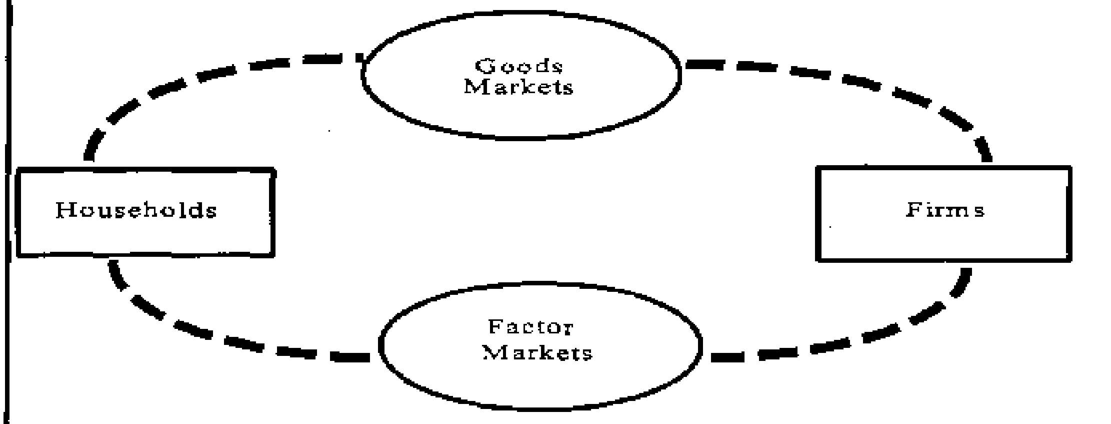
Market transactions also still follow many traditional dynamics. Ironically, market economists have hailed the willingness of reformers in developing countries with a phrase that reflects old patterns of thought far more than new ones. Kapoor, for example, reports on a World Bank seminar in Harare in 1994 that, "Most of the participants agreed that it was imperative to "get the prices right..." (World Bank 1994: 3) In a market economy prices are expected to fluctuate with supply and demand. In an administered economy prices are fixed, and quantities per measure fluctuate.

African suppliers still insist on common unit prices, and resist attempts to allow prices to fluctuate regionally. Parastatals engage in complicated calculations to ensure identical prices for inputs and outputs throughout the national territory, rather than allowing them to vary according to distance and transaction costs. Negotiating a purchase in Africa today one is still expected to assemble a package of purchases before the price is negotiated. Although prices are globally determined by supply and demand, there is little acceptance of the idea that unit prices should vary with quality. Farmers will boycott a purchaser rather than agree to sell some of their produce at higher, and other at lower prices, based on quality. In the food trade, measures and quality vary widely, but unit prices are sticky.

Gift-giving and hospitality are also still very important. Strangers are still offered hospitality in keeping with their perceived status, both in terms of ethnic group and hierarchical position. A visitor in rural areas is expected to bring kola nuts, alcohol, sugar, soap or other hospitality gifts. An African returning to his village brings much more: cloth, shoes and all sorts of trade goods. He leaves with food and other local produce. The relative value of the goods and services exchanged combines the principles of reciprocity and redistribution, strongly reinforcing social ties.

Modern rulers generally lack the authority that many traditional rulers enjoyed, although some ruled by force and terror, then as now. Today's elected officials often are not from the chiefly families, nor are many, particularly of the second post-independence generation, highly enough educated to command respect by the new source of status—western education. Their position entitles them to respect, as they symbolize social and spiritual harmony. Some bear their ambiguous role well. Others resort to exercising power to compensate for lack of authority. Lower level officials follow in the same path, transforming the socially reinforcing pattern of gift exchange into extortion and bribery.

Figure 2:
Flow of Goods and Services
Market Economy



In contrast to the situation under administered trade, Figure 2 shows a fairly standard illustration of the flow of goods and services in a modern market economy. Using multipurpose money in goods and factor markets, households and firms exchange goods and services. The state is actually left out of this diagram, as its intervention is regulatory rather than direct. In this economy one thinks in terms of volumes and velocities of monetary flows, in language borrowed from liquid physics. It is money-centered, not people centered. It assumes that the purpose of individuals is to accumulate money, whereas the African paradigm assumes that the purpose of families is to grow within harmonious communities. Africans certainly seek to accumulate money and worldly goods, but according to tradition the goods serve to enlist people rather than vice-versa.

Even the time-frame for each paradigm is quite different. Market economists think in terms of linear time, in daily, monthly and yearly increments. All statistics are cited in these terms. African economic managers think more organically, in terms of a human lifetime. The wealth that a man builds in his lifetime is the measure of his greatness. It is counted in terms of numbers of people in his network. Observers who do not understand, or do not accept, that accumulating people can be a stronger objective than accumulating money, often complain that policy decisions are always political rather than economic in Africa.

VI. DECISION-MAKING PROCESSES

A. The African Approach

In the old kingdoms, and even today in most African villages, major policy decisions take place in the context of a social contract. In the past, coronation rituals and seasonal festivals acted out a social contract between the king and each group within the kingdom, vassal kingdoms, vassal nobles, slaves and castes included. Debate and decision-making, on the other hand, were the purview of an elite of free heads of household. In societies based on age-grades, major policy decisions belonged to the top age-grade. In those with powerful secret societies, it was those who had taken the top oath. In monarchies the king would allow debate in the council of elders before a decision was announced. Once the leader pronounced a decision, his word is law, and surrounded by spiritual sanctions, so no one would question it. But if what he announced failed to reflect the consensus of the debate that preceded it, he would not stay in office for long.

Debate and decision-making processes similar to those of the precolonial kingdoms are common in villages throughout Africa today. Participation is a little bit wider than in the past, as heads of household of slave origin attend, but they often say little. Women and youth often gather around the outer circle to listen—in the most progressive villages, some even speak out. A skillful chief builds his consensus ahead of time. He calls an assembly only when he has his speakers lined up. Once assembled, everyone is allowed to have a say. A debate can go on all day. At the end the chief announces the consensus. Once he has spoken, no one is supposed to raise the issue again. In the past, if people really disagreed with a chief's decisions, they abandoned him, migrating out of the country, voting with their feet.

This approach to decision-making and implementation is under attack today, but is still widespread. The relationship between legislative and executive branches in African governments tends to give greater power to the executive branches than do western democracies. Donors' democracy and governance advisors frequently refer to legislatures as mere debating societies, and human rights advocates have trouble recognizing when free speech is or is not being exercised. The social contract implicit in coronation rituals has been replaced by an electoral process that pits one primary community against another, fracturing both real-world and spiritual harmony. Heads of state try to place themselves above the fray, but do not always succeed. They are expected to serve as symbols of national unity, and many take on sacred accoutrements, trying to reestablish a fragile social accord.

B. The Structural Adjustment Approach

The process of policy-making involved in structural adjustment reversed the steps that would have worked in Africa. Policy-analysis was conducted by Washington-based economists of the IFIs—regardless of their multinational origins, they are perceived as westerners in Africa. Reform programs were negotiated in secret, with a small cabinet delegation, usually led by the Minister of Finance. Typically, reform proposals were initially floated during two to four week IFI missions in Africa. Final negotiations, however, took place at World Bank and IMF headquarters in Washington, D.C. There Ministers learn what decisions and what deadlines will ultimately have to be met to obtain the loans needed to save their governments from insolvency. After the humiliating annual October ritual gathering of Finance Ministers before the Boards of the World Bank and IMF in Washington, the Ministers of Finance return to their Presidents, World Bank, IMF accords and "conditions" in hand.

No opportunity for consensus-building there! Having had no way to build a public consensus before or during the process, Presidents often retreated to dealing with the information as occult—the modern translation of which might be state secrets. Only what was absolutely necessary was announced, and there was little follow-up. Bank staff tried to encourage ex post facto legitimization efforts, but met with stony silence. It is simply not done that way. Once a decision is announced, the debate is supposed to be over. Zephrin Diabre, who has provided one of the few insider analyses of this process, reflecting his experience as Minister of Finance in Burkina Faso, and chief gate-keeper of the reform process, comments,

> Governments find it hard to keep promises they've made to donors, because most [of] the time, and surprisingly, their own bureaucracy needs to be convinced first...But one cannot reduce the explanation of the refusal to implement reforms, to only the fear of losing personal advantages. There is something deeper, which must be related to an inherent inability to consider that things can work outside the framework of state intervention or without the favor of the state. (1998: 10-11)

Had IFI officials known the custom, might they have changed their approach? Having failed at ex post legitimization, in any case, they have recently emphasized more public dialogue early in the process. This is more in keeping with African custom.

C. Strategic Planning

With the exception of Diabre, Dia, and Ake, the comparative literature on the process of policy reform is limited to a review of the decisions made, the time they were announced and funded, the degree to which they have been effectively implemented, and their impact. Strikingly, for a culture obsessed with strategic planning, there is very little analysis of the procedures leading up to policy decisions. It may be because it has been an embarassing process for all concerned. In addition to the problems of consensus-building described above, the first rounds of such Structural Adjustment Credit and Loan negotiations involved World Bank proposals aimed at strengthening the private sector, while the IMF concentrated on eliminating fiscal deficits. The result was that new taxes were imposed, and tax collectors often harassed private entrepreneurs more than the economic police and Ministries of Commerce had ever done. IMF pressures were working at cross-purposes with World Bank reforms. Beginning about 1991 the IMF became more open with Bank officials, and joint missions were conducted. There is now less conflict between their respective recommendations.

African analysts have repeatedly called for the reform process to be endogenous, grounded in their own strategic planning. As a contribution to that possibility, it is useful to compare the goals of economic managers in market-oriented versus hierarchical political economies. Simplifying a bit, one could say that four main goals of policy-makers in market economies are generally as follows:

- Achieve rapid growth in GDP
- Keep inflation low
- Keep a favorable current account balance, with exports exceeding imports
- Keep unemployment low

In contrast, popular expectations of leaders in Africa, and hence leaders themselves, set the following goals:

- Achieve a rapid growth in the loyal community of followers,
- Ensure that all members work and produce sufficient food,
- Produce a surplus that funnels to the top level of the hierarchy (goods and services),
- Trade the communal surplus for luxuries,
- Exchange gifts and offer generous hospitality.

These goals are still widely shared in Africa, despite relatively thorough monetization of the economy. Many contemporary African institutions are hybrids with western names, but underlying politics closer to the premodern paradigm. As Dia describes the situation at independence,

> Most Africans considered independence to mean not only the transfer of authority and power to local government, but also the transfer of wealth accumulated during the colonial period...On the political side they used the single-party system as an "incarnation" of the popular will of the new nation. For this reason, the party was entitled, through its leadership, to the unencumbered exercise of all power attached to national sovereignty...two legitimizing themes achieved central importance in defining the role of the state in the early stage of independence: strong centralized control of the economy and patrimonialization of the state. (1993: 12)

There was no room for rival hierarchies within a precolonial state. If the king, or the contemporary ruler, failed to coif all hierarchies within the society, by definition, there was either civil war or more than one state. Competition could and did thrive within the hierarchy, but an autonomous loyal opposition was unknown. African one-party states adopted similar internal organizations. Recently, however, they are moving, sometimes painfully, toward more tolerance and balancing of opposition interests.

The only common goal between the western and African manager's paradigm is keeping unemployment low. GDP and inflation are meaningless concepts to most African citizens. They seek growth, but count it first in people and secondarily in money. Growth in wealth is less important than socially reinforcing patterns of redistribution. Accustomed to a government-instituted economy and risk-free trade, they often blame governments for price instability. A favorable current account balance would be considered to exist when imports exceed exports, not the opposite.

Even the concept of unemployment is not really understood in the same way. In the western paradigm job seekers and jobs are anonymous statistics. In the African system it matters who employs whom, not merely that there be jobs. If a political rival is seen to give a person a job, the employee is automatically counted as opposition. As African private sectors often include prominent ex-leaders from previous regimes, this is no small problem for privatization programs.

The assumption of a lifelong bond in the employer/employee relationship is also a problem. It is very common in African labor disputes to find that an employee cannot accept being fired for the traditionally relatively minor offense of dipping in the till. Many sue their employers for failing to define it, in writing, as a serious offense. The employee considers himself part of a family. He expects the patron to discipline him severely, to prevent him from repeating the offense, but not to cast him out.

This concept of employment explains how civil and military services burgeoned until they absorbed more than the state could afford to spend. Each soldier or employee is implicitly a client. He owes his employer, above all he owes loyalty. Laid off, he turns on the hierarchy and is automatically assumed to feel enmity. Some "demobilized" soldiers, in fact, have acted on that enmity, provoking coups d'etat (Nigeria, 1970s and 80s, Burundi 1987) or engaging in gang violence (Nigeria, Chad, Burundi, Angola).

Trade reforms that might result in loss of jobs have often been declared but not implemented. There is strong cultural resistance to them, not just stubbornness on the part of leaders. It is a measure of the depth of the crisis that layoffs have, in fact, taken place. The African solution was, for years, to accept devaluation of the currency, or even wage deflation, rather than let anyone go. Similarly, the idea that it is the responsibility of the state to create economic institutions will not disappear. This helps explain why, even as the World Bank is campaigning for privatization of parastatals and elimination of marketing boards, African governments and researchers continue to propose creation of new ones.

For similar reasons both leaders and population are anxious to protect parastatals. The parastatals of modern African governments monopolize trade and control production in all economic sectors of any size, corresponding to the royal trade networks of precolonial Africa. This pattern is remarkably similar in countries previously identified with the entire ideological spectrum. Resistance to privatizing has been very strong. Outsiders tend to blame this on the loss of patronage and graft opportunities, but this paper suggests that the resistance is shared by much larger groups than benefit from directly from parastatals.

Negotiating new solutions to the economic impasse created by parastatals could potentially be the greatest contribution to growth in trade and GDP over the next decade. Parastatals have emptied government coffers, then dragged them into deep debt. They pay salaries far above median incomes, yet this approved, not resented among the populace, provided that one’s ethnic group has a fair share of parastatal employment. They are a source of local pride. They are frequently the largest corporations in the country, ten times or more the size of the largest African privately-owned companies. They have been built by and for locals. They represent group achievement, opportunity and access to technology. Unfortunately, most do not make a profit. People agree that it would be better if they did, but feel that is not their primary raison d'etre.

Today the tendency is strikingly strong to protect local industries that are privately owned as well, even privately owned by groups viewed as outsiders (Asians and whites). People fear loss of jobs (particularly in politically sensitive areas), wasted capital investments, and a technological move backwards.

Duty drawback schemes, privatization of parastatals, and food exports are among the reforms that African populations resist strongly for cultural and historic reasons. The least successful reforms have been duty drawback schemes for exporters. No such schemes have worked in Africa. Once governments have revenues, they are reluctant to concede them, for a number of reasons. Explanations from IFI observers have blamed this on the fact that nearly all governments are facing continued excessive budget deficits. More important, perhaps, is the fact that reimbursement or credit for taxes makes them flow in the wrong direction through the hierarchy. A reverse flow is perceived as inappropriate and socially disruptive.

Why the resistance to food exports? It appears to be because populations expect their rulers, in loco parentis, to ensure that there is adequate food for all and that it is equitably distributed within the group. Seeing it go out of the country, and even out of the district is socially disconcerting. Newspapers regularly publish stories of bean, maize or rice smugglers, as if it were a major crime. Seeing food go away raises the possibility there may be a shortage. If a government has a policy of food self-sufficiency, as most African countries do, and the government prevents staple foods from leaving the area, it may escape blame in case of famine. NGOs have often failed to understand the tremendous importance governments attach to being seen to be responsible for food distribution. It has powerful cultural roots. Some Americans refuse to recognize the political element in food aid, stressing the humanitarian aspects. Food distribution is perceived as political in Africa, however, as, indeed, in most societies. From the 1960s on rural Africans have often remarked on their gratitute to the US for sending food. It put the US in the position of back-up parent, or godfather. South Korea, a strongly corporatist society, did not miss this type of symbolism when it recently offered food aid to the famine-stricken North.

The concepts of equity and welfare implicit in the above group of attitudes is fundamentally different from the way the World Bank, USAID and other donor analysts (the present author included) have been analyzing the social dimensions of structural adjustment. Many studies show that the poorest of the poor have not been the losers in the structural adjustment process. In fact, rural populations gained a little more from increases in cash crops than they lost due to price increases on food purchases. (See Sahn et al., Cornell Food and Nutrition Policy Program Reports, 1990-1997; World Bank SDA literature, 1988-1996)

Yet on the ground in Africa the rural poor are no happier with structural adjustment than their leaders. This paper argues that the problem is that they are concerned about the welfare of the larger group. Usually this is defined in ethnic or religious terms, but also in national terms. Groups in many countries suffered shocks through structural adjustment, such as loss of their jobs. Farmers who were personally spared that shock and saw cash crop prices rise are not necessarily thereby grateful for structural adjustment. Rather they deplore the fate of their group. The primary equity they seek is group equity, after which come individual and family. Moreover, people identify with groups at many levels, that can be envisioned as ever larger concentric circles. On the local level, people are concerned that their family and clan be treated equitably in the village. On the regional level, they want their subregion to do as well as any other—not too much better or worse, as hubris is as dangerous as neglect. On the national level, they want their ethnic or religious group to share equitably in opportunities and wealth.

VII. RECONCILIATION?

Competing traditional and market paradigms are gradually moving toward synthesis in Africa, but the process sometimes seems to bring the worst of both to the fore rather than the best. Most African leaders have not yet reconciled the two in a way that either enhances traditional values or leads to economic growth. On the contrary, political and economic institutions still lack accountability, openness and the rule of law.

A. New Approaches to Reform

The idea that the gap is cultural, rather than purely economic or political, should be no cause for despair among either African leaders or neoclassical economic reformers. Rather it offers an opportunity for greater clarity in the debate and more mutual respect on both sides. It is evident that certain reforms provoke widespread resistance, notably decreasing public sector employment; privatizing parastatals; exporting staple foods; and speeding up transactions, thus producing growth through velocity and volume.

Recognizing this, let us focus debate and strategic thinking on reconciling the way we deal with employment, privatization, food security, and, more generally, economic growth. *How can the government take political credit for generating private sector jobs?* It takes thought and public relations work, but it can be done. *How can citizens not employed by the government express their loyalty as citizens?* It can, and is being done, when workers of each company join in national day parades and other rituals. Political campaign contributions are not far behind.

How can the group, the nation, feel a sense of pride and ownership in industries run by outsiders? Fortunately innovative stock sale plans are helping to show new ways. African corporations, however, still are predominantly sole proprietorships. And hostility to foreign ownership is often enshrined in both corporate and labor laws. Group confidence in joint stock corporations will require higher accounting and auditing standards. This needs to be as important a concomitant of successful privatization as having a stock market. Firms that recognize the importance of national pride can, regardless of the ethnic identity of their managers, make enhancing it a conscious part of their marketing and public relations strategy. Treating one's technological innovations as a national accomplishment, rather than a private one, resonates better in Africa.

How can the community feel confidence in food security, or for that matter reliable basic infrastructure without resorting to autarchy? Buying surplus food or hydroelectric power produced by neighbors is usually a better strategy for achieving reliable self-sufficiency than trying to produce everything at home. But people will have to be convinced of it. They must see that dependency on a regional market is not threatened by political tensions if the world market provides ready access to alternative sources. They must also see, and believe, that it is economically more viable.

How can one change the way people think about time and growth? Get people to talk about it. Analyze and quantify transaction costs. Show what impact transaction costs have on the competitiveness of businesses in one country compared to its rivals. Let local economists analyze their impact on the ability of a country to attract foreign investment. What is the time and cost of getting a shipment through customs; of getting a license, an employment permit, a letter of credit, a transfer of funds; of finding an oversees buyer or source of supplies? Focus debate on alternative ways people can preserve the sense of dignity that is traditionally expressed by acting slowly and by exchanging favors.

Dia cites the cases of Japan, South Korea, and Taiwan as countries that have achieved modern economic growth without sacrificing traditional communal values (1996: 58). He proposes institutional models for filling the "missing middle" between financial institutions serving the formal sector and informal financial mechanisms of the informal sector (1996, chap. 7). He also argues that a corporate culture emphasizing the positive values of both paradigms is attainable (1996, chap. 8) One might add that countries like Morocco have done well, and Italy even better, with patronage systems like those found in Africa and informal economies more dynamic than their formal ones.

African attitudes toward employment, one might hypothesize, mean that it may not be sufficient to change labor laws. Rather than take on lifetime patrimonial obligations, most employers may prefer, as in the Japanese model, to build their systems of production on subcontracting arrangements. If only a few employees are actually directly hired by the firm, the lifetime, family-style atmosphere can be created. Stable, but flexible outsourcing allows firms to expand the scale of their operations without expanding their employee roster.

Dia proposes that a positive reconciliation will come only through a new approach to policymaking. The three principles on which such a process must rest are accountability, transparency, and participation. He calls for a participatory approach that "helps to strengthen legitimacy (by building on indigenous institutions and capacity) but also empowers the clients and beneficiaries. It is a combination of putting local institutions first and listening to customers and stakeholders. The proposed process requires shifting from winning through influence and leverage (as in a zero-sum game) to winning by achieving synergy and convergence (win-win)."(Dia 1996: 243).

Patrimonial leadership, in Dia's view, can potentially work if it is truly people-centered. Leaders will be obliged, however, to treat their multiple constituencies more equitably. What will oblige them, if not conditionality? Transparency and public pressure for accountability are the two most likely factors. Leaders who study traditional leadership techniques will find that, in addition to its Machiavellian side, their cultural heritage included many techniques for ensuring transparency, accountability and group equity. As Africa shifts ever more strongly to new paradigms, new forms of accountability, transparency and equity are being articulated.

In a similar vein, Adedeji argues that:

> Africa's crisis is essentially political in origin and character, though it has serious socioeconomic consequences. Africa's leaders must learn that the first step towards a self-reliant future and the restoration, material and nonmaterial, of the continent's situation is the establishment of governmental and institutional legitimacy and accountability. (1995: 131–132)

The EAGER/Trade program is built very much on this philosophy. It asks first what policymakers are interested in which policy options in which growth sectors. It funds African researchers, working with top market-oriented economists, to explore policy options that are likely to be acted upon. It stresses public debate of the issues before, during, and after the research.

B. Proposals for Improving Policy Design

1) Compensate Losers in the Process of Reform

This classical strategy may serve several ends. First of all, there may be clear equity reasons for compensating losers. In the long run, various studies now suggest that economic growth depends above all on political stability. Instability both halts growth and exacerbates inequities. Moreover, compensating losers may be an effective means of buying off the opposition. The Social Dimensions of Structural Adjustment (SDA) Program at the World Bank was essentially designed to identify winners and losers. In theory it was to develop mitigating measures for losers and to ensure that the poorest of the poor were not among them. In practice, the Bank program became bogged down in complex household budget surveys, and the reform process often outpaced the design and implementation of compensation programs. There was also a confusion over which type of losers should be compensated. If elite parastatal employees lost their privileges, what, if any, compensation were they owed? Some IFI reformers thought that their privileged positions should be ended; that was what structural adjustment was about. Others, with strong moral support in Africa, considered that outplacement and other temporary bridging assistance was needed.

The IFI equity analysis done for SDA programs failed to recognize the group equity concept that prevails in Africa. It concentrated on individual and household incomes and access to social services. Although these are indeed important in the long run, they fail to take into account that a peasant family may be more devastated by their urban cousin's loss of a civil service job than they are relieved that they are getting a few dollars more for their cash crop.

The kind of ethnic and political balancing that needs to be done is very sensitive. It does not lend itself to dispassionate analysis by "experts." Every politician does it, but some respond directly to the pressures of their primary group, while others try to reconcile as many groups as possible.

2) Build Economic Skills among the Policy Elites

The emphasis placed by authors such as Grindle (1991) and others on the importance of policy elites in the realization of policy change suggests the importance of targeting these elites directly to influence change. It is not reasonable to expect all policymakers to become economists. The level of understanding of economic principles among Western politicians is minimal despite generations of market-oriented economic life. A critical mass of confident local economists, trusted by their leaders, is a crucial ingredient to facilitate Africa's paradigm shift. The World Bank African Capacity Building Project already exists to promote economic competencies, as do the USAID and multilaterally funded African Economic Research Consortium and Equity and Growth Through Economic Research.

3) Stimulate Ex-Ante and Ex-Post Policy Debate

The USAID EAGER project, for which this paper was prepared, shares these objectives, but also seeks to create a public dialogue around economic policy issues. This is in line with the participatory approach Dia outlines. Recognize the stakeholders, on their own terms. Listen to the customer. Let Africans do the research and debate the conclusions.

Public dialogue on the need for an economic paradigm shift would be a useful contribution to this process. The images of economic flows diagramed in this paper and the goals of economic management set out need to be tested in public fora. There needs to be open discussion of how one can deal better with time issues, for example. Economic research can document the high transaction costs involved in bureaucratic delays. A bureaucracy that tackles the problem itself, however, will come up with more thorough solutions than the now familiar one stop shop for creating a new company. In Burundi, for example, in response to a presidential order in 1989, all ministries analyzed the average times they required for procedures concerning businesses, and then reduced them by factors of 10 and more.

Other problems would also benefit from public debate. When does gift-giving shade into corruption? Can one keep the socially reinforcing aspects of the practice? What are acceptable limits? Who gets political credit for generating private-sector employment? How can group equity be balanced with individual merit-based systems?

Which policy alternatives are universally applicable, and which are best allowed to vary from one country and region to another? It has become increasingly clear that, despite the wide consensus on the principles of economics, one cannot simply impose standardized theoretical models. The main conclusion drawn in the World Bank study of the East Asian miracle (1993) is that the countries that had succeeded, the tigers, had followed very different models. Like Africa, most maintained group solidarity and strongly hierarchical institutions. It worked for a while. The recent widespread failure of Asian financial institutions suggests that personalized, man centered institutions must eventually give way to rule-centered ones.

Donors need to focus on the essential principles that make market economies and democracies work, rather than imposing entire models. France, for example, tends to export its constitutional provisions and business law word for word. The United States insists on multi-partism as a primordial criterion for democracy, even though parties did not exist in our nascent republic. Africans might be better able to improve transparency, accountability, participation, and equity using more familiar structures. Such progress might be more difficult for outsiders to quantify, to evaluate for development aid purposes, and to justify aid programs to home bureaucracies and Congress. That should be their problem, not the Africans'.

The above analysis suggests that internal dialogue before, during, and after policy decisions, if it is open and government truly listens, will be the key to future success. Neither the African custom of limiting debate to the period before a decision, nor the structural adjustment practice of limiting it to afterwards, will do. It is needed beforehand, so that African custom is followed and all points of view are heard. During the elaboration and selection of policy options, it is also necessary, so that the details of its application do not contradict the intent of a policy. After policies are passed into law, debate is still needed because policies always need to be adjusted in the face of the real problems they encounter. No one gets it right the first time. Rich public-private dialogue is starting to emerge in the countries that have relatively well-developed private sectors (such as Kenya, Zimbabwe, South Africa, and Côte d'Ivoire), but is hard to create elsewhere, even when donors impose it. As private sectors grow, economic thought in Africa is likely to evolve with the debate they generate.

Policy change, to be effective, involves multiple chronological steps. New options have to be studied, and their potential impacts analyzed. Consensus has to be built around the chosen option(s). Policies have to be announced and further debated. Laws usually have to be changed, and detailed procedures for their application outlined. Institutions responsible for implementing both the old and the new policies have to restructure and redefine each person's role. There has to be a mechanism for feedback and rectification of unanticipated negative effects.

Dialogue is needed among all ranks in the civil service to make this happen. Despite the patrimonial tradition of imposition and control, major change cannot occur without mobilizing and motivating lower-level civil servants. Frank consultations between top executives and civil servants are not the custom, but they need to take place. Unpopular policies will not be enforced unless the enforcers believe in them. If civil and military services understand the need for a paradigm shift, they can come up with new procedures that may be more efficient and effective than instructions proposed from on high.

New regulatory institutions or new structures and roles for existing institutions have to be forged. Institutions of restraint are needed, although one could debate whether they need to be autonomous, on the Anglo-Saxon model. Given the cultural patterns, this may work less well than the hierarchical approach favored in continental Europe. Central bank directors and judiciary personnel need to be shielded from arbitrary or politically motivated removal. Fair trade agencies need to replace old monopolies and monopolies commissions. Models from the outside are useful in establishing what principles work, but local institutional research is needed to craft indigenous regulatory institutions that will work in the local political-economic context.

This is fundamental to the design of the USAID EAGER/Trade research program. This program pursues an approach that brings African policymakers, African economists, and American economists together to research policy options. Research projects are demand-driven, with policymakers rather than researchers in the driver's seat. Policymakers capable of implementing the options researched sit on national advisory committee's supervising the research, and organizing national round tables on the topic during the research process. Regional and Africa-wide policy debate is further stimulated by twice-yearly EAGER/Trade seminars, in which policymakers and researchers participate. This applied approach is designed to simulate the decision-making steps considered legitimate by African custom, and to allow policy to emerge as the result of a wider consensus. The working hypothesis is that this will facilitate the needed paradigm shift, and resolve many of the problems of implementation and ownership that surfaced with a closed decision-making process and imposed set of economic policies.

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